

Report for Special Master's Status Conference

October 27, 2008

Memorial Service Life Insurance Company #538

BACKGROUND

- Date of Permanent Injunction [Liquidation] - September 22, 2008
- Date of Permanent Injunction [Rehabilitation] - May 14, 2008
- Name/ Date of Appointment of SDR – Donna J. Garrett, May 15, 2008
- Claims Filing Deadline – Not Set
- Texas Life, Accident, Health & Hospital Insurance Guaranty Association - Triggered October 23, 2008
- Date and amount of Last Early Access/Distribution – None to Date

STATEMENTS OF ASSETS AND LIABILITIES AS OF SEPTEMBER 30, 2008

- \$1,363,393- Total Assets
- \$1,303,242 – Cash Assets
- \$60,151 – Non Cash Assets
- \$208,964,312 – Total Liabilities
- \$207,600,919 – Negative Equity

STATUS AND ACTIVITY

Asset Recovery

- Cash - \$1,356,317
- Premiums - \$1,352,724
- Subrogation - \$-0-
- Reinsurance – \$-0-
- Statutory Deposits - \$-0-
- Other - \$3,593
 - Interest - \$986
 - Misc. - \$2,607

Claims Activities

- No claims filing deadline has been set.
- Number of claims paid during Rehabilitation - \$2,708,022 on 714 claims.
- Number of claims processed & pending as of 09/30/08 - 821 for \$3,506,021.
- Number of claims received & not processed as of 10/17/08 – 678; Estimate 183 Memorial Service Life Insurance Company.

General Legal Activities

- Closed bank accounts at smaller institutions in order to secure funds and consolidate accounts.
- Initiated identification and segregation of premiums collected on behalf of the IGAs.

Administration

- Obtained approval of SDR's Liquidation Application and successfully resolved five objections.
- Closed St. Louis office, dramatically reduced payroll and transferred claims and premium processing to smaller office in Austin, Texas.
- Enforced automatic stay and permanent injunction in all pending litigation.
- Responded to numerous regulatory actions and complaints and resolved Iowa action regarding American Memorial policies.
- Continued efforts to negotiate resolution of certain reinsurance contracts while enforcing the automatic stay and permanent injunction on contracts where arbitration has commenced or been demanded.

CONCLUSION

- Estate Team Goals to achieve prior to next Status Conference.
 1. Complete transition to processing and payment of death claims by IGAs.
 2. Resolve insurance premiums owed by former affiliates, Forever Funeral Homes.
 3. Develop asset recovery plan in conjunction with NOLHGA.
 4. Initiate recovery of funds/assets held in bank trusts.
 5. Develop protocol for handling preneed contracts with no insurance coverage.
 6. File Early Access application.

- Estimated Closing Date of Receivership – Undetermined at this time.
- Identification of Factors Affecting Closing Date and Final Distribution
 1. Establishing claims filing deadline and processing claims
 2. Recovery of reinsurance proceeds
 3. Complete asset recovery in cooperation with NOLHGA